Should Companies give up on Stakeholder Capitalism?

Or can taking a more humanized approach help drive more business growth?

HBR Proposal – September 2024

What is the Central Message?

The 2024 Impact Study finds that business leaders today find it almost impossible to deliver against the competing interests of their stakeholders. Better-informed colleagues, customers, community, and capital markets are all demanding more value. These leaders are silent about their stakeholder initiatives, fearing accusations of being woke or greenwashing. Still, all the senior leaders we interviewed recognize that the stakeholder genie isn't going back into the bottle and are looking for ways to drive business growth and create value for all stakeholders … without getting fired.

The Impact Study results show that overperformers – the companies growing revenue faster than their direct competitors – understand that traditional shareholder value metrics don't capture the intangible value created by the business for all its stakeholders. Today, these intangibles, such as employee loyalty, customer data, brand equity, corporate trust, and community reputation, drive over 70% of the overall value.

By taking a more humanized approach to understanding, engaging, and building differentiating solutions for all stakeholders, these overperformers use a marketing approach across all functions to achieve long-term competitive advantage.

What is essential, practical, and counterintuitive?

Creating long-term competitive advantage is as much about creating intangible value for all stakeholders as driving tangible profitability for shareholders. Businesses have understood this for centuries: If you built a factory, you moved your family to the same town, shopped and ate locally, sent your kids to the local school, drank the same water, and prayed in the same church as your stakeholders … and did well by them.

The Impact Study finds that winning businesses embrace this truth: 90 % of overperformers see stakeholder value creation as a business opportunity, not a risk, versus just under 50% of revenue growth underperformers.

Winning businesses drive growth by applying a marketing approach across all functions to create more humanized growth that is valuable for all stakeholders. For example, the CEO of Piedmont, Georgia's largest Healthcare System, his CMO to help build the first holistic stakeholder map and align their needs with organizational priorities.

Chipotle's CHRO asked marketing to help him develop the communication strategy and assets for their 2024 employee recruitment and retention campaign.
Sesame Street's development team asked marketing to help develop and execute a new high-net-worth endowment and gifting strategy.

Intel's CFO worked with her marketing peer to reinvent how the company interacts with investors and the financial markets.

At McDonald's, the Franchise team invited marketing to help overhaul how franchisees are recruited. Together, they built target 'personas' and a digital acquisition model that delivered immediate results.

62% of overperformers (versus 38% of underperformers) focus on financial and non-financial performance. At Haleon, the CMO was asked to help develop and roll out a new '*Health Inclusivity Index*' to capture business performance more broadly.

Marketing in overperforming companies has more highly effective cross-C-Suite partnerships, on average 3.1, versus only 1.3 at underperforming businesses.

What do managers need to know – How can it be applied today?
Creating value for all stakeholders is the only way to build a sustainable competitive advantage. Collaborating more closely with your CMO and marketing colleagues can bring new insights and opportunities for driving more humanized business growth. The article will provide practical examples with CEO, CHRO, CSO, CIO, and endorsement quotes from Avon, Haleon, McDonalds, Sesame Street, Bayer, Suncorp, and Chipotle,

What is the source of authority, and what previous work does this build on?
The 2024 Impact Study was the first global, cross-suite study focused on pivoting from shareholder primacy to value creation for all stakeholders. Led by the IRG and the Said Business School at Oxford University, it included over 450 C-suite interviews and 750 online survey responses by business leaders from 61 global markets.

Endorsed by Klaus Scharff of the WEF, the Impact Study partners include the National Association of Corporate Directors (NACD), the Society for Human Resource Management (SHRM), the Association of Chartered Certified Accountants (ACCA), the Arthur Page Society, the B Team, Cheung Kong Graduate School of Business (CKGSB), the Yale Program on Stakeholder Management, the ANA, and the Marketing Society.

The CMO partnering case study examples come from the IRG100 program, an independent and not-for-profit CMO executive leadership program now in its sixth year that counts over 600 CMO and CMO-1 alums worldwide.

What academic, professional, or personal experience does this build on?
Professor Andrew Stephen co-led the Impact Study and is the L'Oréal Professor of Marketing and Vice-Dean of Research at Oxford University's Said Business School. Angela Ahrendts led the Impact Study Advisory Board, serves on multiple boards, and is the former CEO of Burberry and Apple Retail. Marc de Swaan Arons led the Impact Study and is the Founder of the IRG100 CMO program. The authors have all previously published books and articles in HBR.